

**MINUTES
of the
SIXTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE
November 4-5, 2004**

The sixth meeting of the New Mexico finance authority (NMFA) oversight committee was called to order by Senator Mary Kay Papen, chair, at 9:19 a.m. on Thursday, November 4, in the Sandia room at Eastern New Mexico University (ENMU). Dr. Paul Jones, assistant vice president of ENMU, welcomed the committee to the community.

Present

Sen. Mary Kay Papen, chair
Rep. Daniel P. Silva, vice chair
Rep. Roberto J. "Bobby" Gonzales
Sen. Clinton D. Harden, Jr.
Rep. Dona G. Irwin
Rep. Brian K. Moore
Sen. Nancy Rodriguez
Rep. Sheryl Williams Stapleton

Absent

Sen. Pete Campos
Sen. Kent L. Cravens
Sen. Richard C. Martinez
Rep. Earlene Roberts
Sen. Shannon Robinson
Rep. Henry Kiki Saavedra
Sen. H. Diane Snyder
Rep. Don Tripp

Advisory members

Rep. Jose A. Campos (Nov. 5)
Rep. Anna M. Crook
Rep. Mary Helen Garcia
Sen. Stuart Ingle
Rep. Harriet Ruiz
Rep. Edward C. Sandoval

Rep. Donald E. Bratton
Sen. Dianna J. Duran
Sen. Joseph A. Fidel
Sen. Mary Jane M. Garcia
Sen. Don Kidd
Rep. Ben Lujan
Rep. Patricia A. Lundstrom
Sen. Leonard Lee Rawson
Sen. Bernadette M. Sanchez
Rep. Luciano "Lucky" Varela
Rep. Robert White

(Attendance dates are noted for members not present for the entire meeting.)

Staff

Renée Gregorio
Janice McCrary

Guests

The guest list is in the meeting file.

Copies of all handouts and written testimony are in the meeting file.

Thursday, November 4, Sandia Room, Eastern New Mexico University **INFRASTRUCTURE NEEDS IN PORTALES AND ROOSEVELT, CHAVES AND LEA** **COUNTIES**

Mayor Orlando Ortega, Portales, welcomed the committee to Portales and ENMU. Mayor Ortega outlined the steps the local community is taking to creatively meet the needs of the city and to leverage resources. The Portales city council has commissioned a comprehensive plan to outline the needs for the future. The mayor outlined the top five priorities of the city.

Debbie Lee, Portales city manager, described in detail the five priorities. Street improvements are a top priority. Portales has over 90 miles of highway, some of which are state highways. Drainage issues also plague the city, particularly in a year of much rain. Community services affect quality of life. Portales is looking to address playgrounds, parks and public buildings. Economic development is on the forefront. Presently Portales is experiencing a boom from the dairy industry and related businesses. Housing continues to be an issue with the influx of people into the area. Existing housing is insufficient and there are not enough general contractors to construct new homes.

Mayor Ortega and Ms. Lee fielded questions about the median price of housing. Presently, the cost to construct is approximately \$50 per square foot. Contractors usually build one house at a time. The city of Portales does not assess impact fees on construction. At present, there has not been a large enough housing development to merit assessment of such fees. All contractors are small businesses. There are no large developers. Mayor Ortega reported to legislators that much of the growth is agricultural related: dairies, milk plant, cheese plant, peanut industry and ethanol production. Portales, like other communities, continues to work to meet the water needs of the community.

In response to questions about downtown revitalization, the mayor reported that Portales has an effective and active grassroots organization. It has high participation from the downtown businesses and has worked to instill pride in the community. Senator Ingle expressed his pleasure in hosting the committee and pointed out that Portales has a history of stepping up to finance many hometown projects, including the hospital, through tax assessments.

Stanton Riggs, Chaves county manager, presented information about Chaves county. Chaves county supports 450 miles of streets and roads. One of the top priorities is maintenance of west McGaffey. It is highly traveled and is the main street through town. There are 90 dairies in the community, and Roswell has a large mozzarella cheese plant that has created much more rigorous traffic usage. These businesses have brought increased fire protection needs. Water

continues to be a huge issue. The Pecos river is vitally important to the water needs of the area, and Chaves county appreciates all assistance to preserve this water source.

Mr. Riggs was questioned about the effectiveness of the pilot program to arraign prisoners utilizing video technology. The process, he stated, eliminates some of the problems such as transporting prisoners to the courthouse, the issues of sneaking contraband to prisoners and the benefit of defusing situations where the family members of victims come into contact with the prisoners.

Mr. Riggs, in response to questions, stated that the produced water plant plans will not be ready for the 2005 legislative session. There are still many issues to work out with the state engineer. The state says it owns the produced water but maintains it is the responsibility of the producer to deal with the water.

Charline Hardin, Roosevelt county manager, presented the top three priorities for Roosevelt county. The county is responsible for 1,285 miles of roads. Local traffic, traffic traveling through the city and increased traffic due to 44 dairies is taking a huge toll on streets and highways. Road improvements are the number one priority.

The detention facility is another large issue. Many dollars are spent housing prisoners out-of-state. The county has commissioned a feasibility study to determine if a local detention center should be constructed in order to keep those dollars in the county. Building a jail is a definite possibility and there is some concern about the additional tax it would require. The cost of a new detention center will be around \$3 million.

The third priority is improving the fairgrounds. Currently, it is hosting the New Mexico Ag Expo, which brings about 400 to 500 vendors to Roosevelt county. Some of the facilities were built in the 1930s.

After questions were asked by committee members, Ms. Hardin provided information on the types of inmates housed at the detention center. While many detainees are the responsibility of the state, the county only receives a small amount to defray the cost. Repeat offenders are a large portion of the detainees, and the committee expressed its concern that rehabilitation options are not available.

Dennis Holmberg, Lea county manager, briefed the committee on Lea county initiatives. The racetrack and casino will open in Hobbs in November. It will create about 250 permanent jobs with additional jobs during the racing season. The national enrichment center in Eunice is planned, and construction will start in May 2006. It will have a large impact over the five years of construction. New Mexico Junior College and College of the Southwest have plans to double in size. The growth, while good, has brought housing issues, waste treatment issues and water issues. Dynamics of a growing economy bring many needs. Lea county represents more

municipalities than any other county. These five government jurisdictions have banded together to provide for the needs of Lea county.

Mr. Holmberg fielded questions regarding plans for water. He reported that a regional water plan is addressing what might be done to conserve, reuse and move water.

GRIP UPDATE AND FINANCING DETAILS

Mark Valenzuela, intergovernmental affairs director of NMFA, introduced George Wilford and Jason Hughes, both of First Southwest Company, and Keith Mellor, chief financial officer for NMFA. Mr. Valenzuela gave a quick history of the GRIP program. In November 2003, the legislature authorized \$1.585 billion in bonding for highways throughout the state. The program is to be funded within seven years. House Bill 15 also provided for increases in transportation-related taxes and fees that will provide an extra \$60 million in annual revenues into the state road fund.

Mr. Wilford outlined the constraints in looking at the financing mechanisms. The repayment period could not exceed 20 years and the annual debt service could not exceed \$162 million. The structure had to achieve a AA bond rating. The new bonding must avoid economic loss on restructuring of existing debt.

Mr. Hughes described the plan of finance, which included closing existing bond liens, creating a new lien structure, refunding all GARVEE debt and restructuring certain state road fund bonds. The financing results were for a total issuance of \$1.138 billion. Bonds totaling approximately \$700 million in senior lien fixed rate bonds for project costs were issued at a rate of 4.653 percent. The remaining \$438 million was in a subordinate lien and was issued using a forward swap to lock in the rate and a synthetic fixed rate to lower the cost of borrowing and yet preserve the conservative approach to financing.

Keith Mellor, chief financial officer, NMFA, discussed the responsibility of NMFA to manage the proceeds of the \$700 million bond issue. The bond issuance proceeds produced approximately \$737 million. The goal was to invest these proceeds so that they were available to fund the draw schedules by the department of transportation and to mitigate the effect of interest rate differences.

The committee had questions for the presenters about the GRIP program. They were asked to have the department of transportation be at the next meeting to provide draw schedules.

A REQUEST BY THE CITY OF DEMING

Representative Dona Irwin and Joe Nestor Chavez, lobbyist for the city of Deming, made a request of the committee to include two projects in this year's public project revolving fund bill. These projects were included in last year's bill but the bill did not get funded. The two projects

are the Peru mill reclamation project and the landfill move. Both projects have great environmental impacts and must be done. Deming has provided most of the funding, but needs the final piece from the state. The committee expressed its support for the inclusion of these two projects.

FINANCING MECHANISMS FOR STIMULATING ECONOMIC DEVELOPMENT STATEWIDE: A PANEL DISCUSSION

The NMFA assembled a group of panelists to discuss financing mechanisms for stimulating economic development. Panelists were Craig Reeves, First National Bank, Clayton, NMFA board member; Art Morales, Bank of America, principal of public finance; Matt Schaefer, Bank of America, senior vice president, commercial lending; and Jerry Walker, executive director, Independent Community Bankers Association of New Mexico. Bill Sisneros, executive director of NMFA, reviewed the legislation passed regarding economic development. In 1993, the Local Economic Development Act (LEDA) was passed along with a constitutional amendment to allow local governments to assist economic development in a variety of ways. In 2003, Senate Bill 932 provided a comprehensive package of financing tools to stimulate economic development projects to fill the gap between public and private financing; it was known as the Statewide Economic Development Finance Act (SWEDFA). There was no funding with either bill.

Steve Flance, chairman of the NMFA board of directors, expressed his opinion that it is meaningful dialogue for NMFA. Everything NMFA does has some impact on economic development in communities. Whether it is a sewer development or a hospital, indirectly it enhances the community's ability to attract industry. Determining how to better leverage private/public partnership to create greater access to capital for New Mexico businesses is crucial, he added. NMFA seeks a funding source to participate with private lenders either as equity investors or loan guarantors or other innovative financing mechanisms. NMFA would not become a direct lender but would utilize the expertise of the commercial lending institutions. The projects authorized would come from the legislature in consultation with NMFA.

The presenters answered numerous questions about how this could work. It was generally believed there would need to be specific criteria developed to administer this program. Details pertaining to how these projects are identified, management issues, the effect on local tax roles and many other issues remain unanswered. Mr. Valenzuela closed by stating that the NMFA is looking to the oversight committee for endorsement of this project and would require an initial funding level of \$35 million. The committee authorized NMFA to have the legislation drafted in concept for further consideration by the oversight committee in December.

The meeting recessed at 4:25 p.m.

Friday, November 5, 2004 - Room 512, Clovis Community College
WELCOME

The meeting reconvened at 9:00 a.m. and was called to order by Representative Anna M. Crook. Beverly McClure, president of Clovis community college, welcomed the committee to Clovis and to the campus. She reported that Clovis community college is currently at 4,100 students and growing at a rate of 6-10 percent per year.

David Lansford, mayor, city of Clovis, welcomed the committee to the "city on the move". Clovis is experiencing great growth, which creates additional stresses and strains on the city budget and infrastructure. One issue of great importance is the Ute Creek project, which is very important to the city in protecting source water. He urged the committee to consider the project very strongly.

Raymond Mondragon, Clovis city manager, made a presentation about the growth of business in Clovis. Drainage, roads and infrastructure are continuing needs in a growing area. The Ute water pipeline project provides a water supply for eastern New Mexico. This pipeline will ensure a stable water source for the area. Total cost will be \$306 million, which will be funded with 80 percent federal dollars and 20 percent state participation. It will take 10 years to build.

Clovis serves as a regional landfill and is looking to expand the service. Drainage continues to be an issue and the city has spent over \$14 million on these issues. Some of these projects are in collaboration with the county. Policing issues continue to require substantial funding. Mr. Mondragon concluded with the efforts of the downtown metropolitan redevelopment project underway to revitalize the downtown area. He reiterated that Clovis is working actively as a community and will help in any way it can.

Lance Pyle, Curry county manager, outlined the high priority need for the county. The state highway 467 overpass is desperately needed for the health and safety of residents who cross the railroad tracks daily. The county is seeking funding from a variety of sources to make this project happen.

The next project is the Curry county adult detention center expansion. Curry county is presently having to house inmates out of the county at substantial cost. The current facility is being renovated but it will still be inadequate. The county is exploring ways to fund other avenues to deal with the problem.

The third project on the priority list is the needed improvements to the Curry county fairgrounds. Construction for a special events center should begin this year. Other funds will be needed for landscaping and horse barns.

The fourth project is for money to continue improving Curry county roads. The new business in Clovis has brought greater usage and greater need for improvements. Mr. Pyle answered questions for the committee.

Pow Carter III, chairman, De Baca county commission, thanked the committee for inviting him and outlined the county's priorities. The first priority is the jail. De Baca county is experiencing the same costs and overcrowding noted by other jurisdictions. Secondly, the senior citizen's center needs renovating. The county has purchased the abandoned hospital and hopes to use the building for senior services. The courthouse must meet ADA compliance requirements, and the first phase will cost \$75,000. They also asked the committee to support a loan and grant to the county to pay off the bureau of reclamation. The loan arose from the building of the dam in 1950. The county has been paying since then and still owes over \$1 million. The county believes this lien holder position could put water resources in jeopardy.

Terry Turner, Quay county manager, reported that Mesalands college and the fairgrounds are an important part of the community. An agricultural center is needed at the fairgrounds. Trigg memorial hospital is vital to Tucumcari, and the county is investing \$3 million in the clinic. The county also will be looking for assistance to renovate the WPA courthouse and the jail. There are many other needs but these are the top ones.

Mary Mayfield, mayor of Tucumcari, and Richard Primrose, Tucumcari city manager, thanked the committee for listening to their needs. They are seeking assistance in wastewater treatment plant improvements, a landfill project, a railroad spur improvement and for improvements to the municipal swimming pool.

WATER TRUST BOARD (WTB) PRESENTATION: INTENT OF ORIGINATING LEGISLATION AND DETAILS OF PROJECT FINANCING

Representative Joe Stell and John D'Antonio, state engineer and chairman of the WTB, made a presentation about the funding needs for water projects in the state. The eastern part of New Mexico is served by the Ogallala aquifer. Hydrologists have determined the aquifer is being depleted, and it is unknown how long it will last. Estimates are at 25-30 years. Plans have begun to determine ways to extend the life. Up to 20 years ago, the use of an alternative source was discussed. Transporting water from up north began to be explored. Presently, this water passes out of New Mexico and goes to Lake Meredith in Texas. The pipeline idea was developed in Clovis. The cost was originally estimated to be \$100 million. In present dollars, the cost will be \$300 million. Because of drought conditions, the issue is once again on the forefront. Funding is the issue.

The original plan in the legislation was to get one-third from trust funds, one-third from the permanent fund and one-third from the severance tax fund for a total of \$100 million. The intent was to create permanent water trust fund with 80 percent of the funds and to put the remaining 20 percent in a project fund. The house and senate forwarded their respective versions

of the bill and, in the end, all funding was stripped. The next year a bill was funded that went entirely to the project fund. This pool of money has been used as a capital outlay fund to fund smaller projects for communities and mutual domestic water associations. That was not the intent of the bill. The bill was intended to provide a funding mechanism to aggressively and proactively address water needs on a statewide basis. These needs are calculated as costing over \$4 billion dollars. Even if the legislature put \$50 million per year into a fund to address these needs, it would take 80 years to catch up. The state must step forward and provide a big funding source and find new sources, including federal grants and public-private financing.

Mr. D'Antonio reported that there were 144 letters of interest in 2004 for water projects. These were winnowed down to 26 projects. Prior-year projects approved but not funded were considered this year. There is a set of criteria for ranking projects, but the funding is not sufficient to tackle some of the larger projects. There will be approximately \$22 million available this year.

Mr. D'Antonio discussed legislation the governor would like to see passed that gives the state engineer greater control over domestic well drilling and usage. Concern was expressed that these actions might infringe upon personal property rights and a homeowner's right to drill a well under the Homestead Act. Additionally, the bureaucracy created by obtaining permits from Santa Fe creates a hardship on people living in small towns.

ENERGY INITIATIVE: THE ELECTRIC TRANSMISSION TASK FORCE

Ned Farquhar, environmental advisor, office of the governor, and Brian Brooks, NMFA, described the governor's initiative to create a transmission task force. The overall purpose is to facilitate electric transmission to transport electricity generated from renewable energy to New Mexico and other western states and to improve the energy security and reliability of the New Mexico and western region electric grid. The governor will be sponsoring legislation to bring these concepts to reality.

Mr. Farquhar and Mr. Brooks answered questions of the committee.

PROJECT UPDATE: UTE CREEK WATERSHED

Alicia Fitzgerald, project coordinator, and other individuals involved in the Ute Creek watershed restoration projects presented information on the success of the project. Ms. Fitzgerald explained that the NMFA funded phases 1 and 2 but has not included this project for funding of phase 3. The project is in a critical phase in order not to lose the benefits gained thus far. The goal of the project is to increase water flow from Ute Creek. The project has included restoring the riparian zone through a variety of methods. The project has treated the large, mature salt cedar with eradication chemicals and has used goats successfully in eating the smaller trees. The project includes reseeding when needed. Improvement in the flow of Ute creek is

already being experienced. The presenters encouraged the committee to fund Phase 3 and answered questions of the committee.

A LOOK AT WATER PROJECT FINANCING: TOWARD SUSTAINABILITY

Anne Watkins, special assistant to the state engineer, updated the committee on efforts to sustain drinking water supplies. The trend in water withdrawals has increased at the same time there has been a corresponding decrease for agricultural use. The state must plan carefully to meet this demand. At present there is no mechanism for creating a long-term plan for water infrastructure.

Most drinking water systems in the state are small and old. The seven or eight enabling statutes were created when the population of the state was quite small. The state has grown and many of these systems are contiguous and sometimes overlapping. There are 650 public water systems in the state drawing from the same source and serving only 21 percent of the population. Of the 650 public water systems, 98 percent serve less than 5 percent of the population. These systems are old, have had little or no maintenance, do not have adequate water rights and are, many times, unable to meet the safe drinking water rules.

The first phase of this effort encourages creating joint ventures to update these systems and to create regional planning units. It will identify all needs, both public and private, agricultural and municipal. The second phase will be to compile background information for decision making and to collaborate on options. The next phase will be to start a regional system design. It is a new approach but one much needed due to the scarcity of water.

ADJOURNMENT

The meeting adjourned at 1:00 p.m.